

## Interest Rate Reduction Refinancing Loans

- An Interest Rate Reduction Refinancing Loan (IRRRL) can be done only when the veteran already has his or her entitlement used for a VA loan on the property to be refinanced. In other words, it must be a VA to VA refinance reusing the veteran-applicant's entitlement.
- Remember to order a new VA case number through the VA Assignment System. On the requester menu, select "generate loan number only."
- The occupancy requirement for an IRRRL is different from the occupancy requirement for other VA loans. The veteran, or spouse of an active-duty service member, must certify that he or she previously occupied the property as his or her home. This satisfies the occupancy requirement by certifying to a prior occupancy.
- Always use VA Form 26-8923, *IRRRL Worksheet*, to calculate the maximum loan amount. Basically, it is the existing VA loan balance plus allowable fees and charges, including not more than 2 discount points, plus the cost of any energy efficient improvements, plus the funding fee.
- No credit information or underwriting is required unless the loan to be refinanced is 30 days or more past due or the monthly payment (PITI) will increase 20 percent or more. A borrower with a recent Chapter 13 bankruptcy may need approval of the trustee for the new loan.
- An interest rate reduction refinance may be done by including all costs in the new loan or by setting the interest rate on the new loan high enough to enable the lender to pay all loan closing costs. Remember, the principal and interest payment must be less than the principal and interest payment of the VA loan being refinanced unless an adjustable rate mortgage is being refinanced by a fixed rate VA IRRRL, the term of the IRRRL is shorter than the term of the previous VA guaranteed loan, or energy efficient improvements are included in the IRRRL.
- No lien other than the existing VA loan may be paid from the proceeds of the IRRRL. It may be necessary that the holder of the second lien subordinate that lien.
- The guaranty on an IRRRL will always be at least 25 percent.
- Any lender, including those without authority to process other VA loans on an automatic basis, may process IRRRL's on an automatic basis as long as the existing loan is not delinquent.
- If the existing loan is delinquent the IRRRL must be submitted for prior approval.

(References: *VA Lender's Handbook*, paragraphs 6.01 and 6.02.)

## **Forms Required for Interest Rate Reduction Refinance Loans Processed on the Automatic Basis**

**The following loan documentation, in sequence, must be submitted under the IRRRL procedure:**

1. Lender's cover letter (if used).
2. VA Form 26-0285, *VA Transmittal List*.
3. VA Form 26-0286, *VA Loan Summary Sheet*.
4. VA Form 26-8320, *Certificate of Eligibility*.
5. VA Form 26-8998, *Acknowledgment of Receipt of Funding Fee from Mortgagee* , or (if applicable) VA Form 26-0500, *Notification to Mortgagee of Funding Fee Shortage to Mortgagee* , or evidence borrower is exempt.
6. Statement signed by the veteran acknowledging the effect of the refinancing loan on the veteran's loan payments and interest rate. (The statement must show the interest rate and monthly payments for the new loan versus that for the old loan. If applicable, the veteran's statement may be combined with the lender's certification that the veteran qualifies for the new monthly payment which exceeds the previous payment by 20 percent or more.)
7. VA Form 26-8923, *Interest Rate Reduction Refinancing Loan Worksheet* . (Include CAIVRS number in the notes area.)
8. VA Form 26-1820, *Report and Certification of Loan Disbursement* .
9. VA Form 26-8937, *Verification of VA Benefit Related Indebtedness* (if applicable).
10. HUD-1 Settlement Statement.
11. VA Form 26-0503, *Federal Collection Policy Notice* .
12. Lender's certification that the prior loan was current (not 30 days or more past due) at the time of application and at the time of loan closing.
13. Documentation of the cost of energy efficiency improvements included in the loan. For cash reimbursement of the veteran, the improvements must have been completed within the 90 days immediately preceding the date of the loan.
14. Any other necessary documents.

## Forms Required for IRRRL on Prior Approval Submission

**Remember to order a new VA case number through the VA Assignment System! <http://vaas.vba.va.gov>**

The following loan documentation, in sequence, must be submitted under the IRRRL prior approval procedure:

1. Comparison Sheet which contains:
  - The full name of the veteran and all other parties obligated on the prior loan and to be obligated on the new loan. The VA loan number and month and year of origination of the loan to be refinanced.
  - The name and address of the lender proposing to make the loan.
  - The approximate proposed loan amount, interest rate, and term for the new loan versus the old loan.
  - Discount to be charged, expressed as a percentage of the loan and a dollar amount.
  - Statement signed by the veteran acknowledging his or her understanding of the effect of the refinancing loan on the loan payments and interest rate. The statement must show interest rate and monthly payments for the old loan versus the new loan.
  - The appropriate certification concerning occupancy signed by the veteran or the spouse of an active-duty service member. One of the following must be signed.
  - "I have previously occupied the property securing this loan as my home."

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Veteran's signature

"While my spouse was on active duty and unable to occupy the property securing this loan, I occupied the property securing this loan as my home."

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Spouse's signature

2. VA Form 26-8923, *Interest Rate Reduction Refinancing Loan Worksheet*.
3. VA Form 26-8937, *Verification of VA Benefit-Related Indebtedness* (if applicable).
4. VA Form 26-8320 (or 26-8320a), *Certificate of Eligibility*.
5. Uniform Residential Loan Application (URLA).
6. Explanation of the reason(s) for the loan delinquency, including appropriate documentation to verify the cause.
7. Documentation to verify that the cause of the delinquency has been corrected.
8. Credit report (in-file credit report is acceptable).
9. Current pay stub and telephone verification of current employment.
10. VA Form 26-6393, *Loan Analysis*.
11. Documentation of the cost of energy efficiency improvements to be included in the loan, if known. For cash reimbursement of the veteran, the improvements must be completed within the 90 days immediately preceding the date of the loan.